

(SUBSTITUTE)
RESOLUTION NO. A-_____

1 WHEREAS, it is the responsibility of the Lincoln Electric System (LES) Administrative
2 Board to develop and recommend to the City Council of the City of Lincoln rate schedules and
3 services regulations for electric service in the LES service area; and

4 WHEREAS, LES is experiencing extreme volatility in fuel prices for its generating
5 units as well as volatility in the price of wholesale power purchases which tend to follow the price
6 of natural gas; and

7 WHEREAS, this price volatility is both difficult to forecast and beyond the direct
8 control of LES staff; and

9 WHEREAS, many electric utilities throughout the nation have implemented a
10 mechanism known as a Power Cost Adjustment (PCA) that allows the utility to adjust the amount
11 charged for retail electric service in order to generate the amount of revenue necessary to cover
12 fluctuating changes in power costs; and

13 WHEREAS, in 1980 the LES Administrative Board considered certain standards as
14 required by the federal Public Utility Regulatory Policies Act of 1978 (PURPA), including PURPA
15 Sections 113(b)(2) and 115(e) regarding automatic adjustment clauses such as PCA's; and

16 WHEREAS, following public hearings on the PURPA standards in 1980, the LES
17 Administrative Board adopted a standard to be utilized if LES implements the PCA which is
18 incorporated herein by reference; and

19 WHEREAS, such standard was also approved by the Lincoln City Council pursuant
20 to Resolution No. A-67105 on September 2, 1980, and approved by the Mayor on September 9,
21 1980; and

22 WHEREAS, the LES Budget and Rates Committee met with staff to review in detail
23 the recommendation to implement a PCA, consistent with the standard adopted by the LES

1 Administrative Board and Lincoln City Council, with a targeted effective date of February 1, 2006;
2 and

3 WHEREAS, the LES PCA would be determined based on the amount by which the
4 production fuel costs and purchased power costs deviate from the LES Administrative Board's 2006
5 budget approved base costs, and would be adjusted upwards and downwards commensurately with
6 cost fluctuations, as they are incurred; and

7 WHEREAS, a public hearing on the PCA was held on Thursday, December 1, 2005,
8 for the purpose of receiving public input from customers, following notice given to all customers
9 through a billing insert in customer billing statements; and

10 WHEREAS, the LES Administrative Board directed the Budget and Rates Committee
11 to give further consideration to the public input received at the hearing; and

12 WHEREAS, the Budget and Rates Committee met to consider the public input and
13 advanced a modified recommendation that includes both a base rate increase and a PCA; and

14 WHEREAS, on December 16, 2005, the LES Administrative Board unanimously
15 approved a 4.5 percent increase in base electric rates and implementation of a PCA to cover
16 increased power costs and to meet LES' obligations to its bond holders and to maintain LES'
17 financial integrity, and recommends approval of such by the Lincoln City Council.

18 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln,
19 Nebraska that the following electric rate measures to generate the revenue necessary to cover the
20 projected increases in future power costs is hereby approved:

21 1. Implementation of a nominal 4.5 percent rate increase applied equally across
22 all customer rate classes to become effective with bills rendered on and after February 1, 2006; and

23 2. Implementation of a power cost adjustment (PCA) to become effective with
24 bills rendered on or after February 1, 2006, to generate revenue to cover fluctuating power costs
25 on a monthly basis that exceed the amount generated from base rates.

1 BE IT FURTHER RESOLVED, that 2006 LES Rate Schedules that embody these
2 rate measures, which are attached hereto and incorporated herein by this reference, are hereby
3 approved.

4 BE IT FURTHER RESOLVED, that the Lincoln City Council will receive quarterly
5 reports from LES regarding calculation of the PCA and that the city Council may review the PCA
6 any time that LES' budgets or rates come before the City Council for consideration and action.

Introduced by:

Approved as to Form & Legality:

City Attorney

Approved this ____ day of _____, 2006:

Mayor